

## Chapter 1: Introduction

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The Sacramento-San Joaquin Delta is at a crossroads. There has been significant environmental deterioration in the Delta, and many people have raised concerns about the status of the levee system and its implication for the reliability of water exports from the Delta and flood protection within the Delta. Recent legislation and planning processes are considering long-range changes that would have profound implications for the economy and people of the Delta. In response to those concerns, the Delta Reform Act of 2009 tasked the Delta Protection Commission with developing an economic sustainability plan.

Since a key purpose of this Economic Sustainability Plan is to inform the Delta Plan under development by the Delta Stewardship Council, this report analyzes the impact of key policies being considered for the plan on the economic sustainability of the Delta. Many of the most significant proposals for the Delta are being developed in the Bay Delta Conservation Plan (BDCP). The policy proposals can be grouped into four categories: 1) water conveyance, 2) habitat creation, 3) levees, and 4) land use regulation. The report also considers many aspects of economic sustainability in the Delta that are unrelated to these water policy proposals including economic development recommendations in the 2008 Delta Vision Strategic Plan.

The Legislature established the following guidelines for the Economic Sustainability Plan in the Delta Reform Act of 2009.

*The economic sustainability plan shall include information and recommendations that inform the Delta Stewardship Council's policies regarding the socioeconomic sustainability of the Delta region. (b) The economic sustainability plan shall include, but not be limited to, all of the following:*

- (1) Public safety recommendations, such as flood protection recommendations.*
- (2) The economic goals, policies, and objectives in local general plans and other local economic efforts, including recommendations on continued socioeconomic sustainability of agriculture and its infrastructure and legacy communities in the Delta.*
- (3) Comments and recommendations to the Department of Water Resources concerning its periodic update of the flood management plan for the Delta.*
- (4) Identification of ways to encourage recreational investment along the key river corridors, as appropriate.*

In addition to the goals stated in legislation, the following goals have also been established as critical to developing information and recommendations to support economic sustainability in the Delta.

- Provide a thorough analysis of the baseline and trends for key sectors of the Delta economy.
- Assess the linkage between the Delta economy and the regional and state economy.
- Provide the most complete available assessment of the condition of Delta levees.
- Develop a vision for economic sustainability of Delta Legacy Communities.
- Create a detailed model of the effects of water policy proposals on Delta agriculture.
- Assess the effect of water policy proposals on the recreation and tourism economy, other economic sectors, local government services, and key Delta infrastructure.
- Integrate the findings into a general set of economic sustainability recommendations and strategies for the Delta.

- Integrate the findings into a specific set of recommendations on the issues under consideration by the Delta Stewardship Council for the Delta Plan.

Many of these goals involve new research and analysis to support Delta decision making. The last two goals integrate these findings into specific recommendations for policy and economic development and make up the economic sustainability plan.

In order to be adopted into the Stewardship Council's Delta Plan, the recommendations in the Economic Sustainability Plan must be consistent with the coequal goals of improving water supply reliability and protecting, restoring, and enhancing the Delta ecosystem. The legislature also stated that the "coequal goals shall be achieved in a manner that protects and enhances the unique cultural, recreational, natural resource, and agricultural values of the Delta as an evolving place." Thus, the economic sustainability plan can provide important guidance on evaluating whether proposed actions to satisfy the coequal goals are consistent or conflict with the objective protecting and enhancing the Delta.

## Limitations of the Plan

While the list of goals is lengthy, there are a few related issues that are outside the scope of this assessment. As an economic sustainability plan, the focus of the report is the long-run prospects of ongoing economic activities, not short-term impacts from investments or events. In addition, the assessment is limited to the economic impacts in the Delta region and the impact of activities that originate or primarily take place within the Delta. Thus, it is important to emphasize the following two limitations.

1. *The report does not assess short-run economic impacts of proposed capital spending.*

Many of the policy proposals evaluated in the report—including levee upgrades, isolated water conveyance facilities, and habitat restoration projects—involve billions of dollars in capital investment. The construction activity for these investments would create a substantial short-run burst of economic activity in the Delta region, creating local jobs and income. Although these short-run impacts are not part of our economic sustainability assessment, other reports may address these issues in the future. We caution readers that the regional economic impacts of a capital investment are not necessarily proportional to the size of the expenditure, as different projects have very different cost compositions, varying levels of local expenditures, and therefore highly variable regional impacts.

2. *The report is not a comprehensive cost-benefit analysis of Delta water conveyance options.*

New water conveyance facilities are probably the most significant single proposal for the Delta. As the work plan for this project was developed, the main proposal in the BDCP was a 15,000-cfs tunnel conveyance, but the process was being opened up to consider a much broader variety of options to improve the reliability of conveyance. The 15,000-cfs tunnel remains the leading proposal and is the only alternative to through-Delta conveyance examined in this report due to the infeasibility of analyzing so many alternatives and the lack of detailed descriptions for the alternatives. In addition, all of the water conveyance proposals have costs and benefits that extend far outside the Delta. This report assesses the effect of the tunnel conveyance on the Delta economy, which is an important input to a comprehensive cost-benefit analysis with a statewide

focus. In a few places, out-of-Delta impacts are considered when they have implications for the operation of in-Delta assets such as water conveyance that could have important implications for the Delta economy.

## **Geographic Focus of the Study**

The Delta Protection Commission and the legislation that called for this study are primarily focused on protecting and enhancing the natural resources of the Delta and the Primary Zone of the Delta. As such, the report focuses on the Primary Zone and City of Isleton. Within the Secondary Zone, the report focuses on industries that are directly related to the Delta's natural resources such as water-based recreation and agriculture. Because the population of the Secondary Zone is now 50 times larger than the population of the Primary Zone, a broad economic study of the Legal Delta would shift the focus to the urban service economy. Although the report authors do review the basics of the urban services within Secondary Zone and the interaction of the Primary and Secondary Zones, they do not focus on them.

The Legal Delta, both primary and secondary, includes portions of several counties and cities and do not conform to the usual boundaries that define economic data and models. This creates several challenges for this project, and an effort was made to approximate the Legal Delta boundaries with Census block groups, tracts, zip codes, and geocoded establishment data when available. However, the boundaries of what constitutes the Primary Zone or a given community can change based on the data source being utilized. The report authors have tried to be clear throughout the report regarding the definitions, but readers should be aware that variations in data reported reflect the differences in data sources available in a rural area that spans five counties.

## **Organization of the Report**

There are three parts of the report that follow this Introduction. Part One presents critical background and overview information. Part One includes a broad overview of economic and demographic data for the Delta; an assessment of the current state of Delta levees, emergency response, and financial resources available to improve the levees; and a review of key laws and land-use plans and how they interact in the Delta.

Part Two analyzes specific industry sectors in the Delta, the baseline and trends of these industries, and the expected effects of various policy proposals. Part Two also includes two cross-cutting chapters that explore the future of Legacy Communities and the sustainability of local government services.

Part Three summarizes the key findings of the previous sections and integrates the findings into a set of recommended strategies and policies to support economic sustainability in the Delta. Thus, Part Three constitutes the Economic Sustainability Plan.